

January 25, 2005

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20664

Re: AT&T Pet. For Declaratory Ruling Regarding Pre- Paid
Calling Card Services, WC Docket No. 03-133
(Ex Parte Filing)

Dear Ms. Dortch:

We write this letter for two reasons. First, we want to express our hope that the Commission will deny AT&T's petition in this proceeding within the next few days as published reports indicate may occur. And second, we want to make sure the Commission understands that granting AT&T's petition could harm telecommunications manufacturing, an industry that the FCC Chairman has noted is "even more distressed than the service industry" but that "must survive for our future" since it is composed of companies that are the "innovators that have kept . . . [U.S. telecom networks] at the cutting edge."¹

In its petition, AT&T asks the FCC to bless the company's decision unilaterally to discontinue paying local phone companies both (i) the per minute access charges required by state PUC regulators in situations where an AT&T pre-paid calling card customer uses his or her AT&T card to phone someone located in the same state as the one where the call is placed² and (ii) the fee that federal law requires all telecommunications service providers to pay to support the federal universal service fund ("USF"). AT&T has admitted that its decision to quit paying these fees already has denied local telephone companies about \$500 million in access and USF revenues.³

Deleted: its decision unilaterally to discontinue paying

¹ Chairman Michael Powell speech at Goldman Sachs Communicopia XI Conference, New York, NY, Oct. 2, 2002.

² Per-minute access charges must be paid on any service that qualifies as "telecommunications service." Pre-paid telephone call services such as those AT&T provides plainly qualify as "telecommunications services."

³ See AT&T's SEC Form 10-Qs, filed May 10, 2004 and Nov. 5, 2004).

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The FCC should reject AT&T's request to bless the company's AT&T's unilateral decision to quit paying access and USF fees since AT&T's behavior flouts the law, shifts the company's universal service responsibilities to other carriers, puts AT&T at an unfair competitive advantage, and encourages other telecom service providers to take similar unilateral action.

Equally important from our perspective as manufacturers, moreover, is the fact that AT&T's scofflaw behavior could further damage an already beleaguered telecom manufacturing industry. Local telephone companies are among manufacturers' largest customers. If local phone revenues are decreased by several hundred million dollars per year because of unilateral refusals by some telecom carriers to pay the intrastate access and USF fees that existing regulatory policies require, the local telephone industry's ability to finance plant modernization obviously would suffer even more damage than the massive amount of damage that already has occurred for a variety of reasons.

Although we agree with AT&T that the USF and access charge regimes are in urgent need of reform, self-help of the sort AT&T has taken is unacceptable. Rather, the Commission itself should undertake comprehensive reform of the access charge and USF payment regimes, action which it can appropriately take in its long-pending intercarrier compensation docket.

Respectfully submitted,

Brian Paul, Chief Financial Officer
Actiontec Electronics, Inc.
760 North Mary Avenue
Sunnyvale, CA 94085

Curtis A. Sampson, Chairman and CEO
Communications Systems, Inc.
213 Main Street
Hector, MN 55342

Aaron A. Bent, Vice Pres. Marketing
Continuum Photonics
5 Fortune Drive
Billerica MA 01821

Brad E. Herr, President
AC Data Systems, Inc.
806 West Clearwater Loop, Ste C
Post Falls, ID 83854

Brad Radichel, President
Condux International, Inc.
145 Kingswood Road
Mankato, MN 56001

Adam Yang, Managing Director
CosLight Battery, Inc.
4950 Yonge Street, Ste 2200
Toronto, ON M2N6K1
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J. D. Evankow, Jr., President
FiberControl
1208 Highway 34, Tower No. 1
Aberdeen, NJ 07747

Lyle G. Jacobson, President and CEO

Katolight Corporation
100 Power Drive
Mankato, MN 56001

John L. Vette, CEO
SNC Mfg. Co.
101 West Waukau Avenue
Oshkosh, WI 54902-7299

Samuel D. Davis, President
Telesync, Inc.
5555 Oakbrook Parkway, Ste 100
Norcross, GA 30093

Michael J. Noonan, President and CEO
Fiber Optic Network Solutions Corp.
140 Locke Drive
Marlboro, MA 01752

William G. Johnson, President and CEO
NorthStar Communications Group, Inc.
1900 International Park Drive
Birmingham, AL 35243

Randy W. Osler, President and CEO
SPC TelEquip
8500 W. 110th Street, Ste 525
Overland Park, KS 66210-4018

Warren T. Barker, President
Westronic Systems, Inc.
1715 27th Avenue NE
Calgary, Alberta T2E7E1

cc/ (by email): Christopher Libertelli
Matthew Brill
Daniel Gonzalez
Jessica Rosenworcel
Scott Bergmann
Jeffrey Carlisle
Tamara Preiss
Steve Morris
Lisa Gelb
Narda Jones
Pamela Arluk
Paul Moon